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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
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RUEATRS/DEPT OF TREASURY WASHDC
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UNCLAS SECTION 01 OF 03 NEW DELHI 002393

SIPDIS
SENSITIVE

STATE FOR SCA/INS AND EEB
USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR CLILIENFELD/AADLER/CHINCKLEY
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA MNUGENT
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
USDA pass FAS/OCRA/Radler/Bean/Carver/Riker
EEB/CIP DAS GROSS, FSAEED, MSELINGER
DEPT PASS TO USTDA HSTEINGASS/JNAGY

E.O. 12958: N/A

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SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF
SEPTEMBER 1 TO SEPTEMBER 5, 2008

11. (U) Below is a compilation of economic highlights from Embassy
New Delhi for the week of September 1 to September 5, 2008,
including the following:

- NEW ROUND OF EU/INDIA FTA TALKS
- U.S.-INDIA COOPERATION IN THE ENERGY SECTOR CONTINUES
- INVESTMENTS CONTINUE TO POUR INTO TAMIL NADU
- INDIA'S SPACE AGENCY EARNS USD 20 MILLION
- INDIA'S GDP GROWTH MODERATES TO 7.9 PERCENT
- UPDATE ON TRADE DATA

NEW ROUND OF EU/INDIA FTA TALKS

12. (SBU) European Trade Commission Bermejo da Costa updated Econ
Counselor on the upcoming round of EU-Indian FTA negotiations that
will take place in Brussels the week of September 8. While far from
reaching a final deal, both sides have exchanged "negative lists" of
the proposed ten percent of special products whose tariffs will not
be cut. On the list of goods that India will protect included wines
and spirits and auto parts. The GOI had still not transmitted their
proposed schedule to reduce tariffs for the ninety percent of goods
which must be zeroed out within a maximum of seven years from when
the FTA goes into effect. Da Costa also indicated that negotiators
are meeting in Delhi September 4 and 5 to discuss services, where
progress thus far has been slow.

U.S.-INDIA COOPERATION IN THE ENERGY SECTOR CONTINUES

13. (U) As part of its ongoing commitment to the U.S.-India Energy
Dialogue, the United States Trade and Development Agency (USTDA) has
awarded a grant to the Bharat Petroleum Corporation Limited (BPCL)
for technical assistance related to an asset integrity management
program. BPCL is a large Indian public sector company with its core
business in refining crude oil and marketing petroleum products. The
grant will be used to introduce the company to a wide range of
advanced safety technologies and inspection methodologies to
minimize the risks and vulnerabilities of BPCL's petroleum refinery
and pipeline operations.

14. The \$370,000 USTDA grant conferred on BPCL by the U.S. Consul General in Mumbai on August 29, 2008 will fund an examination of BPCL's refinery in Mumbai and training for BPCL personnel on a comprehensive strategy for evaluating risk to petroleum refineries and related facilities. The technical assistance program will also demonstrate a wide range of advanced technologies available from U.S. firms. Successful implementation of the technical assistance program will result in immediate business opportunities of approximately \$80 million in annual sales, for U.S. businesses that offer technologies and services for implementing asset integrity management programs, across the petroleum refining sector in India.

INVESTMENTS CONTINUE TO POUR INTO TAMIL NADU

15. (U) The Tamil Nadu government cleared several projects this week that will bring significant foreign investment into the state's manufacturing sector. This included French tire-maker Michelin's plans to build a USD 1 billion production facility just outside Chennai. It also approved the plans of Delphi, a U.S.-based manufacturer of automotive parts and electronic components, to establish a manufacturing facility in the same area with an initial investment of USD 20 million. The government expects these investments to create over 5000 jobs. An executive from the new Renault-Nissan automobile plant (located in the same general area and due to begin operations in 2010) told us that he expects additional new investments in the region by component suppliers who will be providing parts for his plant.

16. (U) While appreciative of the continued interest of foreign

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investors, Tamil Nadu's government is keen on enticing investors to locate facilities in other areas of the state, particularly in the state's southern districts. The state's Secretary for Industry reportedly told journalists that the state government was in talks with central authorities on the possibility of turning highway 45 -- which connects Chennai with some of these southern districts -- into an eight-lane motorway.

INDIA'S SPACE AGENCY EARNS USD 20 MILLION

17. (SBU) The commercial arm of the Indian Space Research Organization (ISRO), Antrix, earned revenues of USD 20 million during the Indian fiscal year 2007-8, amounting to approximately two percent of ISRO's budget of USD 940 million. Dr Jacob Ninan, the director of ISRO's Office of International Cooperation told Consulate Chennai that more than 75 percent of Antrix's revenues derived from satellite imagery services offered to customers from around the world. He also said that the successful launches of Israeli and Italian satellites boosted Antrix's revenues. He said that revenues from commercial launches should increase this fiscal year, as Antrix is planning to launch additional European satellites.

INDIA'S GDP GROWTH MODERATES TO 7.9 PERCENT

18. (U) The government released data last week indicating that India's GDP growth rate moderated to 7.9 percent in the first quarter (April-June) of FY 2008-09 from 8.8 percent growth in January-March 2008 and 9.2 percent in April-June of FY 2007-08. The lower growth is largely due to the slowdown in the manufacturing sector to 5.6 percent growth during April-June 2008, compared to 10.9 percent recorded during the same period last year. The tight monetary policy to rein in inflation has led to subdued demand conditions, especially in interest sensitive sectors such as auto, consumer durables and real estate. However, the investment/GDP ratio remained healthy at 32.2 percent. The farm sector grew by 3 percent versus 4.4 percent in the corresponding period of last year. Meanwhile, the services sector continued to remain buoyant at 10 percent, driven mainly by the trade, hotels, communication and transport sector. That sector rose by 11.2 percent, while construction activity was also robust at 11.4 percent. Finance

Minister Chidambaram stated that he expects GDP growth to remain around 8 percent for FY 2008-09, although most analysts now expect GDP growth in the 7.5-8% range. However, the fiscal stimulus of lower income tax rates, farm loan waivers and the pay commission award could keep consumption demand high.

UPDATE ON TRADE DATA

¶9. (U) The latest government trade data shows that export growth in dollar terms has picked up and grew by 31.2 percent in the month of July; in the period April-July 2008, exports grew 25 percent to reach \$59.2 billion. This was primarily due to the depreciation of the rupee and partially due to exports of petroleum products, chemicals and engineering goods. Imports registered an even sharper rise of 48 percent for the month of July and 34 percent during April-July, crossing \$100 billion. This is largely due to the big rise in the cost of oil imports. Overall, the trade deficit widened to \$41 billion during April-July 2008, already half of the \$80 billion for full FY 2007-08.

¶10. (U) Reacting to the trade data, Ganesh Kumar Gupta, President of the Federation of Indian Export Organization, commented that the good export performance had occurred despite the inflationary pressures in India and the economic slowdown in Europe and US. However, traditional exports sectors like textiles and leather did not perform well and he opined that the recent duty drawback reduction has accentuated the blow. According to Commerce Secretary Pillai, exports to US and EU markets are now not as important as in

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the past. Exports have diversified to include Latin America, South East Asia and the ASEAN region. Moreover, the recent free trade agreement with the South-East Asian Nations (ASEAN) is likely to hasten the pace of export growth there as import duties will come down. Trade analysts opine that the export target of \$200 billion set for the FY 2008-09 by the government seems achievable.

¶11. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>

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